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Democracy Dies in Darkness

Every American family basically pays an \$8,000 ‘poll tax’ under the U.S. health system, top economists say

By Heather Long

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SAN DIEGO — America’s sky-high health-care costs are so far above what people pay in other countries that they are the equivalent of a hefty tax, Princeton University economists Anne Case and Angus Deaton say. They are surprised Americans aren’t revolting against these taxes.

“A few people are getting very rich at the expense of the rest of us,” Case said at conference in San Diego on Saturday. The U.S. health-care system is “like a tribute to a foreign power, but we’re doing it to ourselves.”

The U.S. health-care system is the most expensive in the world, costing about \$1 trillion more per year than the next-most-expensive system — Switzerland’s. That means U.S. households pay an extra \$8,000 per year, compared with what Swiss families pay. Case and Deaton view this extra cost as a “poll tax,” meaning it is levied on every individual regardless of their ability to pay. (Most Americans think of a poll tax as money people once had to pay to register to vote, but “polle” was an archaic German word for “head.” The idea behind a poll tax is that it falls on every head.)

Despite paying \$8,000 more a year than anyone else, American families do not have better health outcomes, the economists argue. Life expectancy in the United States is lower than in Europe.

“We can brag we have the most expensive health care. We can also now brag that it delivers the worst health of any rich country,” Case said.

Case and Deaton, a Nobel Prize winner in economics, made the critical remarks about U.S. health care during a talk at the American Economic Association’s annual meeting, where thousands of economists gather to discuss the health of the U.S. economy and their latest research on what’s working and what’s not.

The two economists have risen to prominence in recent years for their work on America’s “deaths of despair.” They discovered Americans between the ages of 25 and 64 have been committing suicide, overdosing on opioids or dying from alcohol-related problems like liver disease at skyrocketing rates since 2000. These “deaths of despair” have been especially large among white Americans without college degrees as job options have rapidly declined for them.

Their forthcoming book, “Deaths of Despair and the Future of Capitalism,” includes a scathing chapter examining how the U.S. health-care system has played a key role in these deaths. The authors call out pharmaceutical companies, hospitals, device manufacturers and doctors for their roles in driving up costs and creating the opioid epidemic.

In the research looking at the taxing nature of the U.S. health-care system compared with others, Deaton is especially critical of U.S. doctors, pointing out that 16 percent of people in the top 1 percent of income earners are physicians, according to research by Williams College professor Jon Bakija and others.

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“We have half as many physicians per head as most European countries, yet they get paid two times as much, on average,” Deaton said in an interview on the sidelines of the AEA conference. “Physicians are a giant rent-seeking conspiracy that’s taking money away from the rest of us, and yet everybody loves physicians. You can’t touch them.”

As calls grow among the 2020 presidential candidates to overhaul America’s health-care system, Case and Deaton have been careful not to endorse a particular policy.

“It’s the waste that we would really like to see disappear,” Deaton said.

After looking at other health systems around the world that deliver better health outcomes, the academics say it’s clear that two things need to happen in the United States: Everyone needs to be in the health system (via insurance or a government-run system like Medicare-for-all), and there must be cost controls, including price caps on drugs and government decisions not to cover some procedures.

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The economists say they understand it will be difficult to alter the health-care system, with so many powerful interests lobbying to keep it intact. They pointed to the practice of “surprise billing,” where someone is taken to a hospital — even an “in network” hospital covered by their insurance — but they end up getting a large bill because a doctor or specialist who sees them at the hospital might be considered out of network.

Surprise billing has been widely criticized by people across the political spectrum, yet a bipartisan push in Congress to curb it was killed at the end of last year after lobbying pressure.

“We believe in capitalism, and we think it needs to be put back on the rails,” Case said.

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